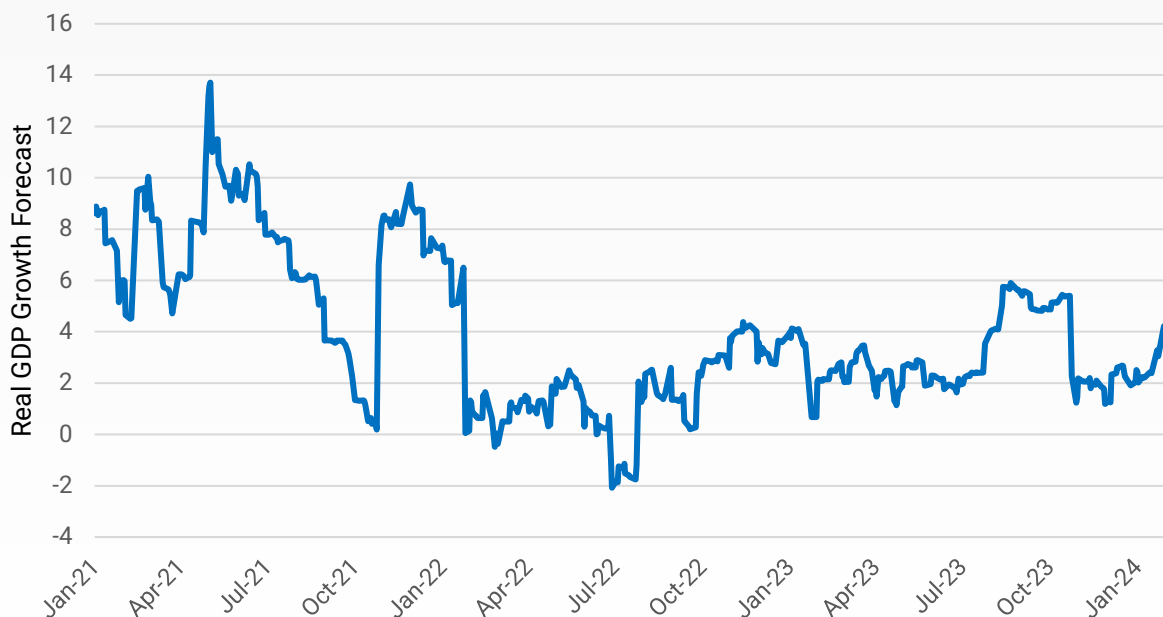




It's All About the Data

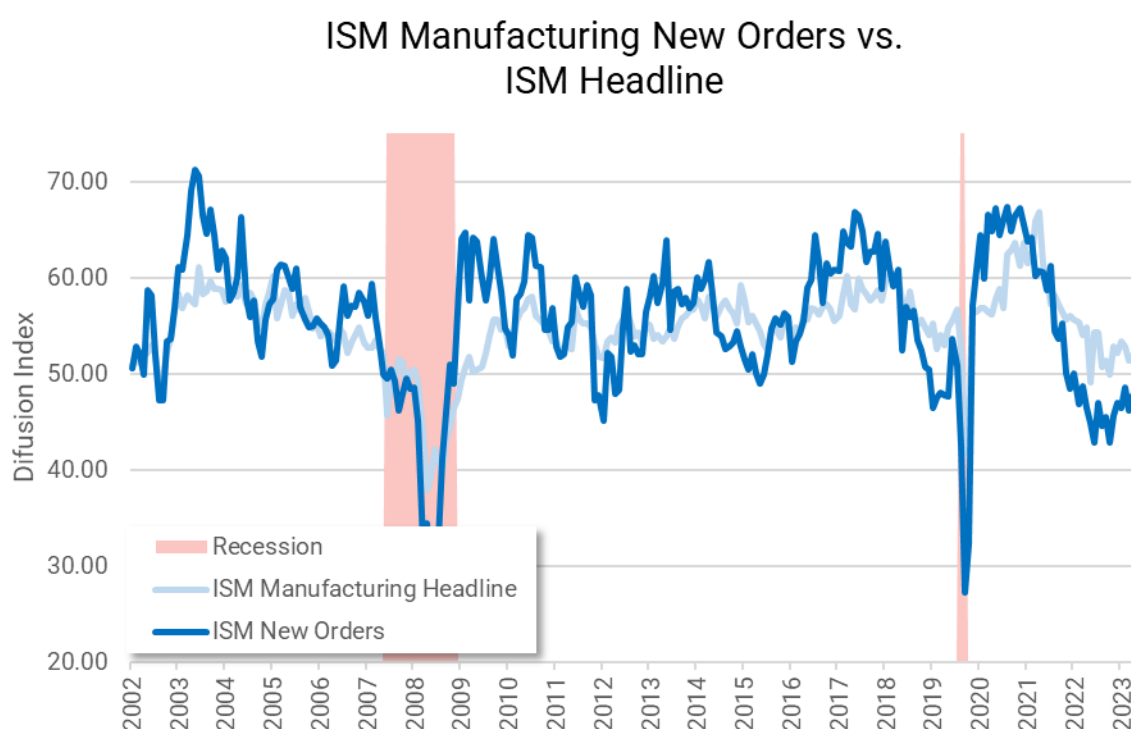
This month's hotter than anticipated CPI report and better than expected economic data is forcing markets to re-think the validity of the Fed's view that the US economy is resilient and stronger than most believe. Consequently, the rate markets have sold off as the "higher for longer" narrative returns. Through all the market volatility, we continue to maintain our optimistic view of the economy supported by numerous data points, best summarized in the Atlanta Fed GDPNow Forecast Index. Most recently, the January ISM Manufacturing release indicates a recovery in the manufacturing sector, further supporting our view of a robust economy.

Atlanta Fed GDPNow Forecast



Source: Smith Capital Investors, Bloomberg 2/21/2024


In 2020, manufacturing data experienced a sharp decline, and world economies shutdown amid the uncertainties of the COVID-19 pandemic. However, with the realization that consumers were unable to travel or spend on services, there was a rise in demand for goods. Manufacturing activity surged to meet this demand, only to undergo another significant shift when the services economy reopened, resulting in a great imbalance between supply and demand. Subsequently, the manufacturing sector has been on a gradual decline as it recovers from the excess inventory accumulated in 2021. Nonetheless, recent data indicates that we may have reached a bottom in manufacturing activity as consumption patterns revert to pre-pandemic levels and supply has normalized. As manufacturing activity rebounds, it will contribute to overall expansion on top of an already healthy economy.



Source: Smith Capital Investors, Bloomberg 2/21/2024

While one month does not make a trend, we are encouraged by the recent bottom and possible upturn in manufacturing activity. We remain vigilant in monitoring the data, as it plays a crucial role in shaping our view (as well as the Fed's) on rates and credit.





Let's talk! – Smith Capital Investors

Our mailing address is:

Smith Capital Investors

1430 Blake Street

Denver, CO 80202

303-597-5555

833-577-6484

info@smithcapitalinvestors.com



www.smithcapitalinvestors.com

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Please consider the charges, risks, expenses, and investment objectives carefully before investing. Please see a prospectus, or, if available, a summary prospectus containing this and other information. Read it carefully before you invest or send money. Investing involves risk, including the possible loss of principal and fluctuation of value.

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SCI00429